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AMERICAN BROADCASTING · PARAMOUNT THEATRES, INC.

annual report 1954



AMERICAN BROADCASTING . PARAMOUNT THEATRES, INC.

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Retired

\*a subsidiary of the corporation

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Assistant Secretary

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EXECUTIVE OFFICES 1501 Broadway, New York 36, N. Y.

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# the year in brief

		1954	1953
INCOME	Total, including: Theatres operated at January 1, 1955 Theatres disposed of in 1953 and 1954 Total theatre operating	\$188,796,000 \$114,987,000 <u>929,000</u>	\$172,196,000 \$111,711,000 
	income ABC operating income Dividends from affiliated companies Other income	\$115,916,000 70,424,000 102,000 2,354,000	\$114,926,000 54,758,000 177,000 2,335,000
EXPENSES	Total, including: Operating and general expenses Interest Depreciation State, local and payroll taxes Federal income tax	\$184,074,000 \$163,812,000 1,467,000 8,390,000 5,484,000 4,921,000	\$167,819,000 \$148,987,000 1,451,000 7,466,000 5,498,000 4,417,000
NET PROFIT	Operations:  Less preferred dividends  Net applicable to common  Per share common  Capital gains  Per share common  Combined profit applicable  to common  Per share common	\$4,722,000 \$534,000 \$4,188,000 \$1.06 \$210,000 \$.05 \$4,398,000 \$1.11	\$4,480,000* \$4,480,000* \$3,992,000 \$1.00 \$4,516,000 \$1.14 \$8,508,000 \$2.14
DIVIDENDS PAID	Total: Per share preferred Per share common Number of preferred shares outstanding Number of common shares outstanding	\$4,501,000 \$1.00 \$1.00 533,624 3,968,487	\$4,455,000 \$ .89½ \$1.00 533,624 3,967,511
FINANCIAL POSITION	Working capital Fixed assets (net) Long term debt Net worth Less par value preferred Applicable to common Per share common	\$26,080,000 78,967,000 42,002,000 78,988,000 \$10,672,000 \$68,316,000 \$17.21	\$25,462,000 79,152,000 40,512,000 78,574,000 \$10,672,000 \$67,902,000 \$17.11

### president's letter to shareholders

1954 was an eventful year for our Company. Theatre business was better than in 1953 and our broadcasting division broadened and strengthened its operations and programming.

Operating income was 10% ahead of the previous year. Operating earnings were up slightly and reflected an increase for our theatres and a loss slightly larger in

1954 than that incurred in 1953 for the ABC Division.

The improvement in theatre income and profits was attributable mainly to better pictures and to the reduction in the Federal tax on admissions. We are still concerned with the short supply of pictures which is more fully discussed in this report. Preliminary estimates indicate a continued improvement in the first quarter of 1955 and, given a sufficient number of good pictures, we are hopeful that a higher level of theatre business will be maintained throughout the coming year.

ABC has made substantial progress during the year, gaining greater audience and sponsor acceptance as a major network. Higher television network operating and program costs offset the profits from radio and ABC's five owned stations, and resulted in a loss for the year. However, the network is now beginning to benefit from the better programs and improved station clearances. Its Disneyland show, which reaches an estimated weekly audience of 45 million people and is carried by over 150 stations, has, since its inception in the Fall of 1954, rated as one of the top programs on television. With new programs being readied for the coming year, including a daytime children's show to be produced by Walt Disney, we feel that ABC is on its way toward realizing its true potential as a profitable division of our Company.

The construction of the Disneyland Park in which we have approximately a 35% interest, is now under way and is expected to be completed in mid-summer of 1955. Further details on this "magic kingdom" created by Walt Disney will be found in this report.

As you will note in the attached balance sheet statement, our Company has maintained a strong financial position, with working capital amounting to \$26,080,000.

We are appreciative of the diligent efforts of our employees and the support and confidence of our shareholders. Our Company has gone through several years of major change arising out of the great transition in the nature of the motion picture business and our entry into broadcasting. As we look forward to the coming year, we believe that we will make progress in our efforts to develop a sound basis for profitable growth.

BY ORDER OF THE BOARD OF DIRECTORS

Leonard Holdenson President

### operating and financial review

NET PROFIT

Net operating earnings of American Broadcasting-Paramount Theatres, Inc. were \$4,722,000 as compared with \$4,480,000 in 1953. This represented an increase in theatre earnings and a slightly larger loss sustained by the ABC Division. The factors underlying the financial results are detailed in the theatre and broadcasting sections of this report.

Capital gains (net) realized in 1954 were principally due to the disposition of theatre assets. Revenue from the sale of theatre assets continued to decrease as the theatre divestiture program nears completion. The large capital gain in 1953 resulted primarily from the sale of TV station WBKB in Chicago in connection with the ABC merger. Earnings from partly-owned, nonconsolidated affiliates are represented as income only to the extent of dividends received.

NET EARNINGS AFTER TAXES			
	1954		1953
Operations	\$4,722,000		\$4,480,000*
Capital gains	210,000		4,516,000
Total	\$4,932,000		\$8,996,000
Less: preferred dividends paid \$534,000		\$488,000	
Net applicable to common	\$4,398,000		\$8,508,000
Per share common:			
Operations	\$1.06		\$1.00
Capital gains	05		1.14
Combined	\$1.11		\$2.14
*Includes \$103,000 from WBKB for period prior to sale.			

#### INCOME AND OPERATING COSTS

Theatre operating income was \$115,916,000 as compared with \$114,926,000 in 1953. Theatre income in 1954 for comparable theatres, after adjusting for theatres disposed of, showed an increase of \$3,276,000 over 1953. Operating costs which had been reduced last year were well controlled except for film rentals. The high level of film rentals can be attributed to the continuing short supply of pictures more fully discussed in the theatre section.

The ABC Division showed operating income of \$70,424,000 as against \$54,758,000 in 1953. This increase was not reflected in earnings because of higher programming and network operating costs and the loss sustained by televising the NCAA football games. An explanation of these factors is contained in the broadcasting section.

### TAXES

Taxes paid or provided for payment by the Corporation during the year are set forth in the table below.

### TAXES

	1954
Federal income (less \$35,000 applicable to capital gains, net)	\$ 4,886,000
Real estate, personal property and State franchise	3,654,000
State income	184,000
Payroll taxes	1,053,000
Sales, gross receipts, etc.	593,000
Total	\$10,370,000

Effective April 1, 1954, the 20% Federal tax on theatre admissions was reduced to 10% on tickets over 50¢ in price and tickets for 50¢ or less were exempted. Although the entire tax was not eliminated as had been hoped for, the benefits from the relief granted proved very beneficial to our business. While part of the tax saving is paid out in film rentals, which are related to grosses, a large portion of the saving did and should continue to revert to earnings.

### CAPITAL GAINS

As stated above, capital gains (net) resulted primarily from the disposition of theatre assets. The theatre divestiture program is described in the theatre section. The unpaid balance of notes received over the past five years in these transactions is reflected on the balance sheet at \$1,715,000 after a \$200,000 reserve provided in 1952. This unpaid balance represents approximately 7% of the total proceeds.

CAPITAL GAINS	1954	1950-53
Sales proceeds	\$1,124,000	\$24,439,000
Less: expenses of sales	16,000	95,000
Net sales proceeds	\$1,108,000	\$24,344,000
Capital gains	\$ 175,000	\$16,141,000
Less: applicable Federal tax	(35,000)	3,932,000
reserve for losses on collections		200,000
Capital gains, net	\$ 210,000	\$12,009,000
PROCEEDS OF SALES		
Cash (less expenses of sales)	\$1,047,000	\$16,597,000
Notes	61,000	4,776,000
Equity in properties acquired		2,486,000
Stocks in affiliated companies		445,000
Other assets		40,000
Total proceeds	\$1,108,000	\$24,344,000

### SOURCE AND APPLICATION OF FUNDS

There were unusually large capital expenditures in the latter part of 1953 and early 1954 for new theatre wide screen and sound equipment and also for physical improvements in the ABC facilities. Such capital expenditures should be much smaller in 1955. Depreciation increased from \$7,466,000 in 1953 to \$8,390,000 in 1954. Despite the heavy cash outlays, the Company's working capital position improved slightly during the year.

### SOURCE AND APPLICATION OF FUNDS

Working capital at January 2, 1954		1954 \$25,462,000
Net income from operations	\$4,722,000	
Provision for depreciation	8,390,000	
after taxes thereon	1,082,000	
Collection of notes receivable	618,000	
Proceeds from bank loan	2,250,000	$\frac{17,062,000}{\$42,524,000}$
Application of funds		
Dividends paid — Preferred	\$ 534,000	
Common	3,967,000	
Fixed asset additions and replacements — Theatres (including \$2,748,000 for wide		
screen and stereophonic sound)	5,862,000	
ABC Division	3,355,000	
Investment in and advances to Disneyland, Inc.	1,500,000	
Payments and prepayments of funded debt —		
To four banks	800,000	
Other notes and mortgages	107,000	
Other—net	319,000	16,444,000
Working capital at January 1, 1955		<u>\$26,080,000</u>

### FIXED ASSETS AND INVESTMENTS

Consolidated fixed assets, after reserves for depreciation and amortization, amounted to \$78,967,000 for 1954 as against \$79,152,000 for 1953. Most of our theatres are now equipped with wide screens. About 260 of our key theatres have complete CinemaScope and stereophonic sound installations. \$3,621,000 was spent in 1953 and \$2,748,000 in 1954 for this program.

ABC capital expenditures of \$3,355,000 related to the installation of transmitting power equipment for the five owned television stations, the completion of the renovation of the ABC Television and Radio Center in San Francisco and other physical improvements.

### CHANGES IN FIXED ASSETS

	1954
Additions and replacements	\$9,217,000
Less: sales of properties	(985,000)
other changes	(27,000)
Net increase in fixed assets before depreciation	\$8,205,000
Less: depreciation	8,390,000
Net decrease in fixed assets	\$(185,000)

Investments in capital stocks of affiliated companies increased by \$562,000 due principally to the acquisition of an interest of approximately 35% in the Disneyland Park. This enterprise is discussed more fully elsewhere in the report. The balance of the increase represents investments in other non-theatre operating companies.

### LONG TERM DEBT

During the year, the Company worked out a \$5,000,000 loan agreement with four banks providing for payments over approximately seven years. This arrangement included the re-financing of the \$2,750,000 which would have been due to these banks in 1955. The Company has continued to stay a year ahead of maturities and paid \$800,000 which, under this new arrangement, would have been due in 1955.

The Company's long term debt with these banks and the Metropolitan Life Insurance Company shows a year end balance of \$40,450,000.

### BOOK VALUE OF COMMON STOCK

The book value of the common stock was \$68,316,000 or \$17.21 per share at January 1, 1955 as compared with \$67,902,000 or \$17.11 per share at the 1953 year end.

### theatres

### INDUSTRY TRENDS

The state of transition which characterized the motion picture industry in 1953 gave way in 1954 to greater stability and what appears to be a healthy upward trend in business. The many technological innovations in production and screen processes achieved a greater degree of standardization and producers were less hesitant in committing their productions to the new methods which had been developed. More important, the new look in screen presentation such as CinemaScope and stereophonic sound has been accepted by the public and has added to the enjoyment of theatre going. To cater to today's more discriminating and selective audiences, the better quality pictures that were produced and released have resulted in increased public interest and improved business.

The improvement in business for our Company over the preceding year, beginning in June, continued for the remainder of the year with the third and fourth quarters running well ahead of 1953. The increase in operating income and net profit was due principally to the better pictures shown in our theatres as compared with last year, and the benefits from the reduction of the Federal tax on theatre admissions which became effective on April 1, 1954. Theatre net profit was ahead of 1953, despite the increase in depreciation charges resulting from the installation of new theatre wide screen and sound equipment.

Judging from the schedule of pictures to be released in early 1955, the present improved level of business should continue. However, the concentration by producers on fewer and more expensively made "big" pictures remains a matter of concern. The lack of enough good pictures and the practice of concentrating their release at specific times of the year, creating an uneven distribution flow, were in great part responsible for depressing our theatre business during the first five months of 1954.

This existence of a sellers' market has resulted both in theatres paying unusually high film rentals and in the necessity of playing pictures for over-extended periods of time. Smaller theatres with more frequent program changes have felt the effects of this shortage more acutely than the larger first run theatres. There are groups now at work within the industry who are attempting to correct the imbalance of supply and demand by creating additional sources of supply.



The adverse effects of television on our theatre business in certain parts of the country were evident earlier in the year as television moved into many small communities, especially in the South and Midwest, for the first time. Business in these areas has recovered much more quickly from the effects of television than was the case in the larger metropolitan areas where television's effects were greater and more prolonged. This more rapid recovery is, we believe, a reflection of the improved quality of motion pictures. As we have reported to you in the past, with the completion of payment on television sets and with the greater selectivity in television viewing after the novelty had worn off, our theatre business has shown steady improvement in the cities which have had television since its early days.

The reawakened and growing public interest in movies and the increase in revenues are proof of the vitality of our business. Attesting to the present high level of industry activity is the continuing research to further improve methods of motion picture production and exhibition. An example of just such a development is the Todd-AO process. OKLAHOMA will be the first picture released in this process and is expected to be shown initially in a limited number of theatres in 1955.

A healthy future economic outlook and especially the steady increase in population bodes well for our theatre business. The millions of youngsters now coming of movie-going age each year should be an additional plus factor in enlarging our movie audiences. Recognizing that the largest segment of movie goers is the 15-30 age group, emphasis in our selling efforts is being directed toward today's youngsters in order to make them our steady customers in the coming years. Consideration is being given to special student admission prices to encourage the development of this audience.

PARAMOUNT THEATRE - Buffalo, N. Y.



PARAMOUNT THEATRE - Los Angeles, Calif.





UPTOWN THEATRE - Chicago, Ill.

Television has as yet unrealized potentialities as a medium for advertising motion pictures in millions of homes. At present, a group of executives from our various operating theatre subsidiaries are giving careful study as to how to exploit and sell motion pictures most effectively via television and radio as well.

Activity during the year in the field of closed circuit theatre television was limited. The two heavyweight championship fights which were shown on theatre television received favorable response and were profitable engagements. The opening night of the Metropolitan Opera was another major attraction telecast in theatres. Several large manufacturing companies made use of this selective medium for off-hour regional and national business sessions.

Further research and experimentation is being carried forward in the development of color for theatre television. When it is perfected and made available, it should give further impetus to the expansion of programming in this field.

There has been considerable publicity lately concerning subscription television — that is, a system of telecasting whereby family groups would pay for entertainment brought into their homes on their television sets. While the methods vary, they revolve about the same principles of sending a scrambled picture over the airwaves and which picture is unscrambled on the home television set upon payment. Several different groups are promoting subscription TV. Petitions have been filed with the Federal Communications Commission for permission to engage in this activity. The Commission in February, 1955 released a notice of proposed rule making requesting comments on the question of whether the Commission should amend its rules and regulations to authorize subscription television. The date for filing these comments and the

PARAMOUNT THEATRE - Brooklyn, N. Y.



DES MOINES THEATRE - Des Moines, lows



date for replying thereto are presently fixed respectively as May 9, 1955 and June 9, 1955. Thereafter the Commission will specify what further proceedings it deems necessary, including oral hearings and the time and nature of any demonstrations or tests.

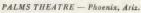
The scope and variety of the questions of law and fact as to which the Commission asked for comments show that much research and analysis remains to be done in order for the Commission, and possibly Congress, to evaluate properly the practical economics of subscription television, its effect on various existing businesses, and whether it is in the public interest. Theatre exhibitors generally have expressed opposition to subscription television and have set up a group to see that their views are presented to the Commission and the public.

### THEATRE PROPERTIES

At the beginning of 1954, the Company had 669 theatres of which 616 were wholly owned, 41 were partly owned and 12 were jointly owned with investors. As a result of transactions during the year, the Company, at the year end, had 639 theatres, of which 589 were wholly owned, 28 were partly owned and 22 were owned jointly with investors.

Under the terms of the Consent Judgment, at the 1954 year end, the Company was still required to divest by September 3, 1955, 16 wholly owned, 28 partly owned and 2 theatres owned jointly with investors; of the 28 partly owned, 4 theatres may be retained as wholly owned.

Upon completion of the requirements of the Consent Judgment, the total number of theatres held by the Company will be less than the 651





FOX THEATRE - Atlanta, Ga.



maximum permitted by the Consent Judgment, and new theatre properties in growing and profitable areas can be acquired, subject to the approval of the Court.

Our theatres are operated on a decentralized basis and are not identified by the AB-PT name. The manner in which the major subsidiaries are locally identified is set forth below, together with the state or states in which they operate.

ARIZONA PARAMOUNT THEATRES

BALABAN & KATZ THEATRES

FLORIDA STATE THEATRES Florida

GREAT STATES THEATRES
Illinois, Indiana, Ohio

INTERMOUNTAIN THEATRES
Utah, Idaho

INTERSTATE THEATRES

MINNESOTA AMUSEMENT THEATRES
Minnesota, Wisconsin, North & South Dakota

NEW ENGLAND THEATRES

Massachusetts, Maine, Vermont, New Hampshire,
Connecticut & Rhode Island

NORTHIO THEATRES
Ohio, Kentucky

PARAMOUNT GULF THEATRES

Louisiana, Mississippi, Alabama, Florida, Texas

PARAMOUNT PICTURES THEATRES CORP.
New York, Pennsylvania, California

PENN PARAMOUNT THEATRES
Pennsylvania

TENARKEN PARAMOUNT THEATRES
Arkansas, Kentucky, Tennessee

TEXAS CONSOLIDATED THEATRES Texas

TRI-STATES THEATRES

lowa, Nebraska, Illinois, Missouri

UNITED DETROIT THEATRES
Michigan

WILBY-KINCEY THEATRES Alahama, Georgia, North & South Carolina, Tennessee, Virginia, West Virginia

MAJESTIC THEATRE - Dallas, Texas



PARAMOUNT THEATRE - Wilkes Barre, Pa.



PARAMOUNT THEATRE - Glens Falls, N. Y.



### broadcasting

The ABC Division has done well in the past year, gaining greater recognition as a major network with sponsors and audiences alike. The slightly increased loss in 1954 over 1953 is not itself representative of a trend in the ABC Division. Rather it is a reflection of the expenditures which must be made during the period of development of the TV network from a secondary to a competitive place. Substantial progress has been made toward forming a strong foundation for a successful operation. The improved position of the Division is evident in increased viewing, better programs and greater revenues. From this point on, each sponsored program should have a beneficial effect upon the earnings of the Division.

### TELEVISION

ABC's plans for competitive growth are built around night-by-night programming and improved station clearances. The development or creation of programs is largely within the province of the network, subject, of course, to substantial financial risk and the fact that success is dependent, in the final analysis, on public acceptance. Station clearance problems, however, are dependent on action by the Federal Communications Commission in connection with the allocation of a sufficient number of channels in each market to permit full competitive clearance for all networks. In 1954, ABC's clearance situation continued to improve with the acquisition of affiliates in such important markets as Houston, Topeka, and Milwaukee. Improved station clearance is of direct benefit to the network. It affords higher rating potentials which, in turn, attract advertisers and result in greater gross time sales.

The growth of the television network has been in the area of night-time programming. Monday evening features the popular show, NAME'S THE SAME and the new TV READER'S DIGEST. The VOICE OF FIRESTONE, a 26-year favorite

"best dramatic TV program of the year" - Look Magazine



DISNEYLAND outstanding TV series for children of all ages"



KUKLA, FRAN & OLLIE



DANNY THOMAS "best actor in network comedy film series"— Billboard Magazine

on radio, moved over from NBC in June of 1954. On Tuesday evening, there are CAVALCADE OF AMERICA, TWENTY QUESTIONS, the award-winning Danny Thomas show, MAKE ROOM FOR DADDY, the return for the second season of the outstanding dramatic series, THE U. S. STEEL HOUR and its companion alternate week program THE ELGIN HOUR, and STOP THE MUSIC.

The highlight of Wednesday evening is the disney Productions bringing 1954, a long-term contract was signed with Walt Disney Productions bringing exclusively to ABC television the outstanding creative talents of Walt Disney and his organization. Since the premiere telecast on October 27th, disneyland has been an unqualified success and has enjoyed the widest public and critical acclaim. It has consistently ranked among the nation's "top ten" programs and received the Sylvania Award as "the outstanding television program for children of all ages." The STU ERWIN SHOW, MASQUERADE PARTY, and the John Daly quiz program, who said that? complete Wednesday evening.

On Thursday evening, there are the popular Lone ranger, the exciting documentary, treasury men in action, and a new dramatic series, star tonight. This new program is followed by pond's theatre continuing the drama period established by ABC's kraft theatre.

The RIN TIN program on Friday evening came to ABC this past Fall season and has achieved the second highest rating on the network. Immediately following are OZZIE AND HARRIET, the new RAY BOLGER SHOW, DOLLAR A SECOND starring Jan Murray, and THE VISE, a mystery series. In the Monday through Friday early evening periods, ABC carries two fine shows, the award-winning KUKLA, FRAN AND OLLIE and JOHN DALY AND THE NEWS.

During the Fall season, ABC telecast the NCAA college football games on Saturday afternoons. As we previously reported to you, sales problems and client prospects were such that the series was eventually sold on a regional

VOICE OF FIRESTONE
"best classical music show"
Motion Picture Daily — Fame Poll

Firestone

OZZIE & HARRIET highly entertaining and successful family comedy series



BERT PARKS
No. 1 quizmaster of BREAK THE BANK
and STOP THE MUSIC



RIN TIN TIN
action packed adventure series



DOLLAR A SECOND
stars Jan Murray



MASQUERADE PARTY top stars and celebrities in disguise baffle panelists



SUPER CIRCUS in its 6th fun packed season



basis at a reduced price. Despite the financial loss, which was taken entirely in the third and fourth quarters, this important sports series served to increase the prestige of the network and generally to upgrade its position and that of its affiliates.

Sunday's programming features the very popular late afternoon show, SUPER CIRCUS and in the evening, YOU ASKED FOR IT, an all-request program of unusual acts, PEPSI-COLA PLAYHOUSE, the broadcast columnist, WALTER WINCHELL, and BREAK THE BANK with Bert Parks.

Thus, the television network in 1954 continued to strengthen and improve its program structure with many shows carrying over from the previous season, new shows being added and several having transferred from other networks. In addition, ABC has attracted new advertisers, both large and small. Looking to the future, additional new programs are now being developed for the 1955 Fall season. Notable among these is a Walt Disney hour-long Monday through Friday children's program. It is expected that this new Disney series, entitled THE MICKEY MOUSE CLUB, will have a dramatic effect on afternoon programming and will attract new advertisers and revenue to the network.

As the network's schedule of sponsored programs is filled, particularly in the important evening time periods, the network will show greater sales returns and increased revenue which will more readily offset the high fixed operating charges such as cable costs. This takes time just as it takes time to get station affiliates and clearance for programs. While ABC has more affiliates than last year, the problem is still one of securing affiliates in the important major markets which have only one or two stations. As more stations begin to operate in these key markets, the coverage often required by sponsors will continue to improve.

RAY BOLGER top musical comedy star



JOHN DALY
top newscaster and host of WHO SAID THAT? auix show



TV READER'S DIGEST best stories from the most widely read magazine



ELGIN HOUR



Despite the rapid growth of television, radio has continued to show vitality as well as its ability to deliver to advertisers results consistent with its costs. The radio sales in 1954 and in previous years indicate the continued strong public appeal of radio listening. The development of smaller and more compact portable radios and the growing incidence of automobile radios, now estimated at about 29,000,000, are further evidence of its audience potential and future.

It is true, however, that the patterns of radio listening have changed because of television. Group listening has given way to the more personalized listening of individuals tuning in their favorite programs, usually while occupied at some task or while relaxing. ABC radio has adjusted to the changed pattern of listening with emphasis on drama programs in the mornings directed to housewives. Short news programs scheduled throughout the evenings have successfully attracted numerous sponsors. The results in 1954 showed that ABC's gross billings held close to 1953 levels as compared with more substantial declines reported for the other major networks.

### FILM SYNDICATION

Film syndication is gaining greater importance in the television broadcasting field. The ABC film syndication division, which distributes filmed television programs to stations on a spot basis, has made progress during the year. It has added to the number of properties in its portfolio and is expected to become a profitable unit of ABC.

CAVALCADE OF AMERICA six Freedom Foundation awards



YOU ASKED FOR IT Art Baker MC's all-request act program



PEPSI-COLA PLAYHOUSE
Polly Bergen, hostess for dramatic film series



POND'S THEATRE
To theatre at its best



TREASURY MEN IN ACTION exciting documentary program



LONE RANGER in his 6th TV season



ABC TELEVISION & RADIO CENTER, San Francisco
— completely renovated and modernized
headquarters of Station KGO and KGO-TV.

### OWNED STATIONS

Overall, the owned and operated ABC radio and television stations have shown profitable improvement over 1953. Two factors are important for continued growth — the expansion of network programs which comprise a substantial part of their schedule and local programming by the stations themselves. Improved network programming contributes to audience growth and consequently results in a higher evaluation of the stations by national, spot, and local advertisers. The quality of the stations' own local programming can attract additional sponsors for non-network time purchases.

The physical properties of these stations compare favorably with those of any station in the country. In February 1955, ABC completed its two-year, \$2,000,000 program to increase substantially the transmitting power of its five television stations. These stations are now operating at the maximum power authorized by the FCC, offering viewers better reception and extending the coverage to viewers in fringe areas. This is a definite asset and is reflected in the evaluation of these stations by advertisers.

These stations are located in five of the seven top markets in the country:

WABC (TV, AM, FM) New York

KGO (TV, AM, FM) San Francisco

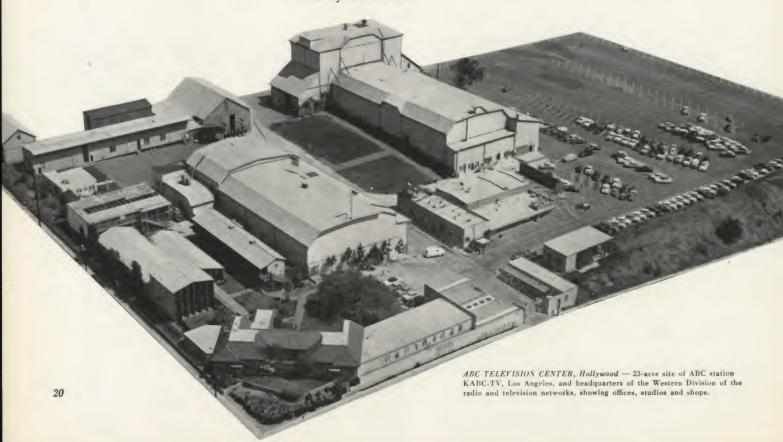
WXYZ (TV, AM, FM) Detroit

KABC (TV, AM, FM) Los Angeles

WBKB-TV and WLS (AM, FM-partly owned) Chicago

### COLOR TELEVISION

The advent of color is expected to attract many new advertisers and additional revenues to television. It should also add greatly to the appeal and excitement of television programming. Developments in this field are being carefully studied and ABC is prepared to participate in color broadcasting when the number of color television sets in circulation is sufficient to warrant its use by advertisers.











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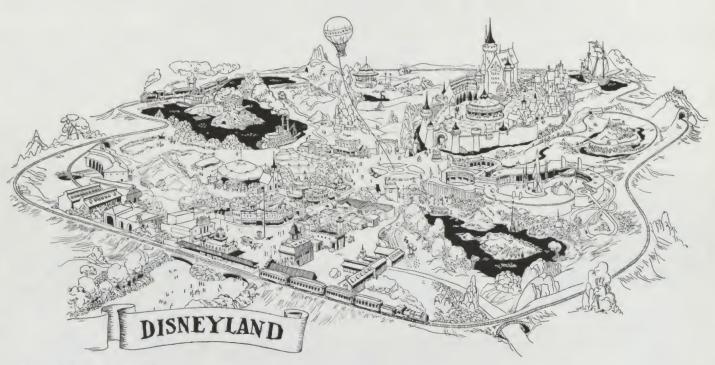
### disneyland

In April, our Company signed an agreement with Walt Disney and others to build and operate the Disneyland Park. We paid \$500,000 for our stock interest of approximately 35% in Disneyland, Inc., and we have certain obligations to lend additional funds or cause them to be lent.

Disneyland promises to be one of the most unusual amusement centers ever conceived or developed. It is the product of Walt Disney's creative genius and has been described as a playland, a fantasyland and a world of yesterday and tomorrow.

Disneyland is expected to be completed and opened to the public in midsummer of 1955. It is located in Anaheim, near Los Angeles, and embraces 160 acres with parking facilities for 10,000 cars. Disneyland, Inc. has an additional 81 acres adjoining the park. Negotiations are in progress to rent one-third of this additional land to outside interests who will construct a hotel at an estimated cost to them of \$2,000,000. This development should greatly enhance the park and the surrounding area. The remaining land will be used as needed for other purposes.

The park has already received extensive publicity in several of the national magazines as well as on the Disneyland television show. A number of the Disneyland programs will originate at this center. With its ideal location and its unusual and exciting conception, it should attract millions of people each year.



DESIGNED BY WED ENTERPRISES

### MICROWAVE ASSOCIATES, INC.

Our Company continues its 50% interest in Microwave Associates, Inc., a small electronics company, manufacturing microwave semi-conductors, tubes and other related products. In its fourth year of operation, its business continued to increase and it is anticipated that its production facilities will be enlarged in 1955.

#### SHAREHOLDER RELATIONS

At the year end, there were 25,160 registered holders of common stock, 1,575 holders of preferred stock and 218 holders of certificates of interest. Many more individuals have their stock registered in the names of brokerage firms and other nominees.

Under the Voting Trust provisions of the Consent Judgment, all conversions of certificates of interest into common stock will terminate as of the close of business on April 29, 1955. The Voting Trustee will then commence to sell the stock represented by outstanding certificates of interest and will thereafter distribute to the certificate holders the pro rata net proceeds of the sale. Holders of certificates of interest can avoid the sale of their stock by effecting the conversion prior to this date.

For the second consecutive year, our Annual Report was judged best in its class in the Financial World survey. We appreciate this fine commendation as evidence of our efforts to present to our many shareholders as complete a picture as possible of our Company's operation, its progress and its position in the industry.

### PRICE WATERHOUSE & CO.

56 PINE STREET
NEW YORK 5

March 18, 1955.

To the Directors and Shareholders of American Broadcasting-Paramount Theatres, Inc.:

In our opinion, the accompanying consolidated balance sheet and related statements of profit and loss and surplus, together with the explanatory notes, present fairly the position of American Broadcasting-Paramount Theatres, Inc. and consolidated subsidiary companies at January 1, 1955 and the results of their operations for the fiscal year (52 weeks) then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year. Our examination of these statements was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

PRICE WATERHOUSE & Co.





# ASSETS

	January 1, 1955	January 2, 1954
CURRENT ASSETS:		
Cash	\$ 19,556,871	\$ 20,273,883
United States government securities (at approximate market or redemption value)	4,363,800	5,962,366
Accounts and notes receivable, less reserves:		
Accounts receivable, trade	11,363,902	9,151,206
Notes receivable from disposal of theatre interests since January 1, 1950	296,481	573,549
Affiliated companies	100,662	215,220
Officers and employees	97,077	85,567
Sundry notes and accounts	1,056,691	1,128,860
Broadcasting program rights and film costs, less amortization	2,457,675	1,503,859
Inventory of theatre merchandise and supplies, at cost or less	1,149,873	1,519,186
Total current assets	\$ 40,443,032	\$ 40,413,696
INVESTMENTS, LESS RESERVES (See Note A):		
Affiliated companies:		
Capital stocks	\$ 1,844,767	\$ 1,282,762
Advances	1,401,958	356,963
Notes receivable from disposal of theatre interests since January 1, 1950, due after one year	1,418,773	1,975,349
Other notes and accounts due after one year	441,035	432,630
Miscellaneous	1,758,581	1,665,637
	\$ 6,865,114	\$ 5,713,341
FIXED ASSETS (See Note B):		
Land	\$ 22,800,011	\$ 22,808,027
Buildings, equipment and leaseholds	118,225,497	115,120,920
Less-Reserves for depreciation and amortization	(62,058,571)	(58,776,771)
	\$ 78,966,937	\$ 79,152,176
INTANGIBLES, at cost	\$ 8,756,620	\$ 8,756,620
OTHER ASSETS:		
Deposits to secure contracts	\$ 912,497	\$ 986,830
Prepaid expenses and deferred charges	2,432,449	2,731,445
	\$ 3,344,946	\$ 3,718,275
	<u>\$138,376,649</u>	\$137,754,108

### LIABILITIES AND CAPITAL

CUDDEN'T LIADUUTEC	January 1, 1955	January 2, 1954
CURRENT LIABILITIES:		
Accounts payable and accrued expenses (including unremitted collections of admission and payroll		
taxes — January 1, 1955, \$526,773)	\$ 13,134,052	\$ 12,040,391
Federal taxes on income, estimated	5,758,928	7,074,504
Less-U. S. Treasury notes	(4,672,778)	(4,282,456)
Notes and mortgages payable within one year	143,280	119,496
Total current liabilities	\$ 14,363,482	<b>\$</b> 14,951,935
FUNDED DEBT DUE AFTER ONE YEAR:		
Notes issued under Loan Agreements (See Note C)	40,450,000	39,000,000
Other notes and mortgages	1,552,168	1,511,865
OTHER LIABILITIES:		
Advance payments, self-liquidating	546,234	1,118,059
Miscellaneous	494,133	238,670
Total liabilities	\$ 57,406,017	\$ 56,820,529
RESERVE FOR CONTINGENCIES (See Note D)	\$ 1,728,466	\$ 2,106,017
INTEREST OF MINORITY STOCKHOLDERS IN CAPITAL AND SURPLUS OF SUBSIDIARY COMPANIES	<b>\$</b> 254,351	\$ 253,067
CAPITAL STOCK AND SURPLUS (See Note E):		
5% Preferred stock, authorized 533,625 shares, \$20 par value Outstanding 533,624-12/100ths shares	\$ 10,672,482	\$ 10,672,482
Common stock, authorized 5,000,000 shares, \$1 par value Outstanding 3,968,487-9/38ths shares	3,968,487	3,967,511
Capital surplus	43,268,208	43,286,838
Earned surplus	21,078,638	20,647,664
	\$ 78,987,815	\$ 78,574,495
CONTINGENT LIABILITIES (See Note F)		
•	\$138,376,649	\$137,754,108

### CONSOLIDATED PROFIT AND LOSS AND SURPLUS ACCOUNTS

### PROFIT AND LOSS ACCOUNT

INCOME:		1954	1953
	Theatre receipts and rentals	\$115,916,322	\$114,925,683
	Television and radio time and program sales, less discounts,		F 4 7 F 7 O F 9
	rebates and commissions to advertising agencies	70,423,348	54,757,958
	Dividends from affiliated companies	102,042	176,985
	Other income	2,353,993 \$188,795,705	2,335,020 \$172,195,646
EXPENSE	S:		
	Theatre and broadcasting operating, selling, general and		
	administrative expenses, including film rentals, rents,	A1/0 00/ //F	A354 453 440
	real estate and other taxes	\$169,276,665	\$154,471,443
	Interest expense	1,467,093	1,451,292
	Depreciation and amortization of buildings, equipment and leaseholds	8,390,176	7,465,562
	Profits applicable to minority holders of stocks of subsidiary	19,260	13,986
	companies	4,920,724	4,416,737
	Federal income tax	\$184,073,918	\$167,819,020
PROFIT F	ROM OPERATIONS, excluding, in 1953, station WBKB .	\$ 4,721,787	\$ 4,376,626
ADD SPE	CIAL AND NON-RECURRING ITEMS:		
	Net operating income from television station WBKB, Chicago, to date of sale on February 9, 1953, after applicable Federal income tax		102,554
	Capital gains, net, after applicable Federal income tax—1953 amount includes \$4,218,749 from sale of television station WBKB, after applicable Federal income tax and minority interest	209,700	4,516,517
DD OFFICE			
PROFIT F	FOR THE YEAR	\$ 4,931,487	\$ 8,995,697
SURPLUS ACCOUNTS			
		Earned	Capital
BALANCE	AT BEGINNING OF YEAR	\$ 20,647,664	\$ 43,286,838
ADD or (I	DEDUCT)		
	Profit for the year	4,931,487	
	Dividends paid in cash:		
	5% Preferred stock at \$1.00 per share	(533,571)	
	Common stock at \$1.00 per share	(3,966,942)	
	Proceeds in excess of par value of 1,000 shares of common		
	stock issued upon exercise of stock purchase option		15,630
	Other changes		(34,260)
BALANCE	AT END OF YEAR	\$ 21,078,638	\$ 43,268,208
BALANCE	stock issued upon exercise of stock purchase option Other changes	\$ 21,078,638	(34,260

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

#### BASIS OF CONSOLIDATION:

Included are all subsidiary companies, wholly owned directly or indirectly by American Broadcasting-Paramount Theatres, Inc., and a few such companies in which the common stocks are owned in excess of 85%.

### NOTE A-INVESTMENTS:

Investments in and receivables from affiliated companies not consolidated are carried (with the exception of the investment in one company carried at \$1) at values adjusted to January 1, 1935, with subsequent additions at cost to the predecessor companies, Paramount Pictures Inc. and American Broadcasting Company, Inc., to American Broadcasting-Paramount Theatres, Inc., or to subsidiaries.

Investments in and receivables from affiliated companies include \$500,000 stock investment and \$1,000,000 advances to Disneyland, Inc. The Company is obligated to lend or cause to be lent to Disneyland, Inc., certain additional sums. All advances are repayable in part from amounts receivable by Disneyland, Inc. under television broadcasting contracts between the Broadcasting Division of the Company, Walt Disney Productions and Disneyland, Inc.

The miscellaneous investments include an aggregate amount of \$1,045,767 in respect of certain sales of stock interests and properties since January 1, 1950 under contracts which provide for the payment of sales prices totalling \$7,500,000 over a period of years. The uncollected balance of the sales prices at January 1, 1955 amounted to \$7,071,647. The difference between the uncollected balance of the sales prices and the amounts carried under miscellaneous investments represents unrealized profit on the sales, which is being taken into the profit and loss account on a pro-rata basis as payments on account of the sales prices are received.

#### NOTE B-FIXED ASSETS:

The fixed assets, with minor exceptions, are carried at cost, less depreciation, to the predecessor companies, Paramount Pictures Inc. and American Broadcasting Company, Inc., to American Broadcasting-Paramount Theatres, Inc., or to subsidiaries. Three properties of a consolidated subsidiary carried at a book value of \$343,005 are subject to a mortgage in the maximum amount of \$373,333 pledged to secure performance under certain leases of such subsidiary.

#### NOTE C-NOTES ISSUED UNDER LOAN AGREEMENT:

These notes comprise (1) \$4,200,000 of  $3\frac{1}{4}\%$  notes, due \$400,000 semi-annually from July 1, 1956 to and including July 1, 1960 and \$600,000 on January 1, 1961, and (2) \$36,250,000 of  $3\frac{1}{2}\%$  notes payable in semi-annual instalments of \$1,208,000 each beginning July 1, 1956 and continuing to and including January 1, 1971.

#### NOTE D-RESERVE FOR CONTINGENCIES:

Reserve for contingencies was reduced during the year by \$377,551 in respect of payments in settlement of certain litigation and costs in connection therewith. The reserve is intended to provide for settlements of anti-trust litigation and other contingencies applicable to the period prior to December 31, 1949.

#### NOTE E-CAPITAL STOCK AND SURPLUS:

There were outstanding on January 1, 1955 option warrants issued to officers and employees under the Common Stock Option Plan which entitled the holders to purchase 210,335 shares of the Company at \$16.63 per share on or before December 15, 1957. An option with respect to 1,000 shares was exercised during the year. Option warrants for an additional 35,000 shares permitted to be issued under the Plan remained unissued at January 1, 1955.

The Company is required in each year to set aside cash as a sinking fund for the redemption of 24,322 shares of 5% Preferred Stock. The sinking fund redemption price is presently \$20.80 and reduces periodically until it becomes \$20 after June 30, 1958. The Company may take credit, at the sinking fund redemption price, for any shares which it may have purchased or redeemed otherwise than through the sinking fund. To January 1, 1955 the Company had purchased and retired 74,422 shares in full satisfaction of sinking fund requirements through the year 1955 and partial satisfaction of requirements for the year 1956.

Under the Loan Agreement there are certain restrictions on the Company in declaring or paying any dividends (otherwise than in shares of capital stock of the Company) or making, or permitting any subsidiary to make, any purchase, redemption, or retirement of, or any other distribution upon, any of the shares of capital stock of the Company (otherwise than in such shares), said "stock payments" being permitted only to the extent of \$8,500,000 plus the consolidated net earnings of the Company (excluding amounts representing capital gains, less applicable taxes thereon) since January 2, 1954. These restrictions had the effect of making the capital surplus and \$12,357,364 of the consolidated earned surplus at January 1, 1955 unavailable for such stock payments.

#### NOTE F-CONTINGENT LIABILITIES:

Guaranty of notes of an affiliated company, principal amount \$60,000.

For indemnities given in connection with transactions consummated in the rearrangement of theatre assets, for additional Federal income taxes and for pending litigation, including anti-trust suits, to many of which a predecessor company, Paramount Pictures Inc., and other major motion picture companies are defendants (amount not determinable).

Under the Plan of Reorganization of Paramount Pictures Inc., United Paramount Theatres, Inc. (now American Broadcasting-Paramount Theatres, Inc.) assumed 50% of the expense and liability incurred in connection with anti-trust litigation where distribution and exhibition are involved and which is based upon occurrences prior to the dissolution of Paramount Pictures Inc., whether or not the litigation is commenced after such dissolution and whether or not the litigation is commenced against Paramount Pictures Inc., Paramount Pictures Corporation, United Paramount Theatres, Inc. (now American Broadcasting-Paramount Theatres, Inc.), or any subsidiary of them.

### NOTE G-RENTALS UNDER LEASES OF REAL PROPERTY:

American Broadcasting-Paramount Theatres, Inc. and its consolidated subsidiaries were liable as of January 1, 1955 under 355 leases of real property expiring subsequent to December 31, 1957 under which the minimum annual rental was approximately \$6,218,000. The minimum annual rentals stipulated in these leases which expire during the three five-year periods ending December 31, 1972 and subsequent to that date are as follows:

### Leases expiring:

During the 5 years ending:

December 31, 1962	\$1,892,000
December 31, 1967	1,677,000
December 31, 1972	
Subsequent to December 31, 1972	1,784,000
	\$6,218,000

#### NOTE H-CONSENT JUDGMENT:

The Consent Judgment dated March 3, 1949 entered in the anti-trust proceedings entitled United States of America v. Paramount Pictures Inc., et al, as amended by subsequent orders, requires the Company and its subsidiaries to dispose of certain wholly owned theatres and terminate joint interests in theatres (except with investors) not later than September 3, 1955.

### AS WE GO TO PRESS ...

The Academy of Television Arts and Sciences announced that ABC received six of the twenty-one "Emmy" awards. These awards, which are the counterpart of the "Oscars" of the motion picture field, are greatly prized within the television industry. We are gratified with these awards and are happy to be able to include the good news about them in this report to our shareholders.

Best News Reporter or News Commentator: John Daly

Best Actor Starring in a Regular Series: Danny Thomas (Make Room For Daddy)

Best Variety Series, Including Musical Variety: Disneyland

Best Situation Comedy Series: Make Room For Daddy

Best Dramatic Series: United States Steel Hour

Best Individual Program of the Year: "Operation Undersea" (Disneyland)

-Tues., March 8, 1955

New York Journal American

# ABC Runs Far Ahead of Rivals With 6 Top Two-Coast Awards

By JACK O'BRIAN

Walt Disney, John Daly, Danny Thomas and the American Broadcasting Co. romped off with six of the top "Emmys" handed out by "The Academy of Television Arts and Sciences."

ABC-TV was the hero-network of the evening. Only a year ago Channel 7 had been running well behind NBC and CBS in both prestige and solvency. The Ch. 7 jubilation by 1 a.m. showed a far different TV competition taking place.

Walt Disney's "Disney-land," after climbing quickly into the top-tenrated TV shows early in its first season, won two of the most important honors: "Best individual TV program" of '54-'55 season; and "Best Variety Sovies"

Ch. 7's Danny Thomas show "Make Room for Daddy." presented its parent network with two more shining "Emmys" as the TV version of the movies' "Oscars" are known — one for Thomas as TV's "Best Actor in a Regular Series" and again as "The Best Situation Comedy Series on TV."

The speed with which the recent merger of ABC and Paramount Theatres injected both business and artistic plasma into the once-lagging network was amplified by additional "Emmys" to John Daly, as TV's "Best News Reporter or Commentator," and to the "United States Steel Hour," produced for ABC by Broadway's august Theatre Guild, named "Best Dramatic Series."



DAILY NEWS, WED., MARCH 9

Judging from Monday's "Emmy" Awards, of which George Gobel. Walt Disney, Loretta Young and Danny Thomas were the top winners, NBC and CBS no longer have a monopoly on such honors. ABC, with six awards out of a possible 21, was a close runner-up to the other two networks which garnered seven apiece.

By the Associated Press,

HOLLYWOOD, March 8. — Walt Disney and Danny Thomas, clutching two Emmys apiece, dominated last night's seventh annual Emmy awards of the Television Academy.

the Television Academy.
Mr. Disney, who has 22
movie Oscars, won an
Emmy for the best variety
series on TV. And his
"Operation Under Sea,"
an episode in the Disneyland series, was adjudged
the best individual program of the year.

the best individual program of the year.

Mr. Thomas, the star of "Make Room for Daddy," was named the best actor in a regular series. His show was selected the best situation comedy series.

John Daly of ABC won as the best news reporter and the U. S. Steel Hour, also on ABC, was named the best dramatic series.

The six awards out of a possible 21 gave ABC its healthiest showing yet in the awards. NBC and CBS, which heretofore had dominated the annual awards, got seven apiece this time.

AMERICAN BROADCASTING - PARAMOUNT THEATRES, INC.